1 Top Restaurant Stock on Sale Now Yielding 3%

Description

A restaurant stock can be a great long-term buy because of how consistent its business is. While people may scale back during a recession, there's still the allure of eating out, even when things aren't going so well. And with food delivery apps like Skip The Dishes making it even easier for people to have many of their favourite restaurants deliver right to their door, there's more potential for restaurant stocks to grow and reach even more customers.

The only thing that makes a restaurant stock even better is a dividend. And when it falls in price and goes on sale, the time could be ripe to invest. That's the situation that **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) finds itself in today. The stock is down more than 14% over the past six months after reaching highs of over $100 per share last year

It was overpriced then, but now that it's dipped in value, it could offer investors the opportunity to buy at a reduced price and benefit from what could be an underrated stock.

Does Restaurant Brands offer investors enough growth?

In its most recent quarter, the company's revenue increased by 6%, and its net income shot up 50%. Unfortunately, it's been the struggling performance of Tim Hortons that has been weighing on Restaurant Brands investors. Both Burger King and Popeyes saw strong results last quarter but the coffee shop continues to struggle to generate growth.

Although its business remains strong in Canada, internationally, there are still many opportunities, and that's where the company has focused on in the past, including an expansion into Spain. There have been other initiatives, such as offering a kids' menu that Tim Hortons has launched in an effort to reach more customers, but it's still been an uphill battle in driving growth for the brand.

Another potential problem for Restaurant Brands is that **McDonald's** is testing a **Beyond Meat** burger, which could put a dent in Burger King's sales in future quarters if the launch goes well. McDonald's has been notably absent from the meatless patty excitement until now, and if it's able to come up with an exciting new product, it could create a new growth problem for Restaurant Brands. Burger King has partnered with Impossible Foods, and it already offers plant-based burgers.

Is the stock still too expensive?

Currently, Restaurant Brands trades at 34 times its earnings and more than 10 times its book value. The last time the stock consistently traded below $80 was a year ago, when the markets were coming off a disastrous finish to 2018. However, Restaurant Brands is still not a cheap buy, even though it is trading near its 52-week low. Investors should expect to see growth numbers in the double digits to be happy with these kinds of multiples. The one positive is that the stock now provides a dividend yield of 3% per year for investors. It’s a good payout for a stock that still has the potential to become a great growth investment.

If you’re okay with the risk, the rewards could pay off from investing in Restaurant Brands, especially if the company figures out a way to get Tim Hortons growing.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/20
Date Created
2020/01/29

Author
djagielski